



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

NORTH AMERICAN REVIEW.

No. CCCCXXVIII.

JULY, 1892.

WHAT SHALL THE RATIO BE?

THE QUESTION OF THE CONFERENCE.

BY SENATOR STEWART, OF NEVADA ; REPRESENTATIVE WILLIAM M. SPRINGER, OF ILLINOIS, CHAIRMAN OF THE COMMITTEE ON WAYS AND MEANS ; SENATOR H. C. HANSBOROUGH, OF NORTH DAKOTA ; REPRESENTATIVE R. P. BLAND, OF MISSOURI ; AND REPRESENTATIVE JOHN DALZELL, OF PENNSYLVANIA.

SENATOR STEWART :

THE inadequate supply of gold creates alarm. The increasing purchasing power of money is destruction to the debtor. Fear of universal bankruptcy or repudiation disturbs the repose of the Shylocks. Falling prices discourage enterprise.

The demonetization of silver narrowed the basis of the circulating medium of the commercial world fully one-half. The use of gold alone for final payment reduces silver to credit money, the same as paper. Demonetization of silver forces ruinous competition to obtain gold, enhances the value of the metal, and reduces the price of property and services. The leading nations of the commercial world compel payment in gold. There is not gold enough for all. Only the fittest can survive.

Austria shrinks from the contest to resume payment in gold. The recent demand that she should buy \$200,000,000 of gold for the purpose in hand could not be resisted, but the attempt to carry it into effect threatened the bankruptcy of the other creditors of the gold combination. They have given Austria a respite while

they enforce payment from weak debtors, reduce credits, and enlarge their securities. When that is done Austria must buy over five per cent. of the gold of the world at whatever cost it may require. Nothing but determined opposition can prevent the gold combination from continuing to exact harder terms until the power of resistance is exhausted, the narrow gold basis established throughout the world, and all men made tributary to the wealth and power of the controllers of gold.

It is natural for politicians to depend upon the gods of avarice for support. They endure with fortitude injustice to the people while the instruments of that injustice are concealed. The fear of detection and the irritation which extortion creates are their only restraints. When rebellion is threatened, party leaders seek refuge in falsehood and subterfuge. The devoted and most faithful agents of the gold-trust in political life dare not confess that they are in favor of the destruction of silver as money; but they ostentatiously declare themselves bimetallists while they secretly conspire to destroy the money function of silver. Their success in deceiving the people by false promises has inspired them with contempt for the intelligence of the masses.

The device of an international monetary conference has been the most successful fraud. Of the two conferences, one was held in 1878, the other in 1881. Both secured the object designed—delay. A general election is pending in Great Britain and in the United States. The silver question is a disturbing element in both countries. Another conference is proposed. Any evidence that side-tracking the silver question is not the only result intended would be gratifying.

It would be interesting to know by what authority of law the conference will be held. Has any government to be represented signified, by proper authority, that its mints will be opened to the free coinage of silver upon any conditions whatever? Why are all the preliminary negotiations relating to the proposed conference confined within the golden circle? What questions are to be discussed? Is the United States further to be humiliated by submitting its right to coin money according to the constitution to a European conference of money-lenders?

The United States demonetized silver six months in advance of any government of continental Europe. The suggestion that the legislation of 1873 was secured by fraud does not alter the

case. The fact that the United States took the lead in that robbery is undisputed. Why should not this government lead in restoring the money function to silver?

The only question which affords an excuse for an international agreement is the ratio. A common ratio between the gold and the silver coins of the commercial nations might facilitate exchanges. But why call a conference for that purpose until the countries to participate therein have decided to open their mints to the coinage of silver for depositors of bullion? When the several governments have agreed to coin silver, a common ratio for such coinage will be readily established. The interest of all concerned will require that ratio to be about $15\frac{1}{2}$ of silver to 1 of gold.

The silver coin of the United States contains more silver in proportion to the gold in the gold coin than the silver coin of any other country in the world, except Mexico. Our ratio is 16 of silver to 1 of gold. The ratio in Europe is $15\frac{1}{2}$ of silver to 1 of gold, and the ratio of India is about 15 of silver to 1 of gold. Europe has about \$1,100,000,000 of silver coin. She would lose over 3 per cent., or something over \$33,000,000, by recoinng her legal-tender silver at our ratio. India has about \$900,000,000 of silver coin. She would lose about 7 per cent., or about \$63,000,000, by recoinng it at our ratio. We have about \$500,000,000 of silver coin, which, if recoinng on the European ratio, would give us a gain of about 3 per cent., amounting to about \$15,000,000. There is about \$3,900,000,000 of silver coin in the world.

Any increase in the quantity of silver in the coinage as compared with gold would decrease the volume of silver coin. If a ratio of twenty to one should be established for the recoinage of \$3,900,000,000 of silver, it would involve a loss of more than \$1,000,000,000. Fifteen and one-half to one is about the natural ratio. As nearly as can be ascertained, the weight of the stock of silver of the world is about fifteen and one-half times the weight of the gold. Besides, any considerable increase in the weight of silver coin would make it too heavy and inconvenient for use. No honest bimetallist would consent to a change of the present ratio of the United States, except to adopt the European ratio of fifteen and a half to one.

Whatever international ratio might be established, the parity

of the two metals would be maintained at that ratio. Neither gold nor silver would then be the standard for measurement of value, but the dollar, the franc, or the pound, would be the unit of account and the standard. The fact that the money unit was manufactured of gold or of silver would make no difference. The material required to make a dollar, whether it were silver or gold, would have the same commercial value, and that is why the free and unlimited coinage of both gold and silver has always maintained the parity in value of the two metals at the ratio established by law.

I do not desire to impugn the motives of the administration in its efforts for a monetary conference. I hope it is not playing into the hands of the gold combination. But secrecy is not a badge of honesty. The character of the delegates will furnish much light. Any man who argues that silver is a burden to be unloaded on some other country, and not a blessing to be coined into money in this country, is an enemy of free coinage. The appointment of such a man will be evidence of bad faith.

WM. M. STEWART.

REPRESENTATIVE SPRINGER :

THE silver question will not down. The House of Representatives at Washington spent weeks in its discussion, and the Senate has taken it up, to the exclusion of the tariff and all other subjects. The President has called an international conference to secure, if possible, an international agreement in reference to silver coinage.

The only international agreement in reference to gold and silver coins which has been entered into heretofore, is known as the Latin Union. It took effect August 1, 1866. The nations which entered into this union at that time were France, Belgium, Italy and Switzerland ; but Greece and Roumania entered the association in April, 1867. This union was for the purpose of regulating "the weight, title, form and circulation of their gold and silver coins." The ratio of full legal tender of silver and gold was fixed at one of gold to fifteen and a half of silver.

The contracting governments bound themselves not to coin, or permit to be coined, any gold or silver pieces other than those provided for in the treaty. The gold coins were pieces containing 5, 10, 20, 50 and 100 francs, and the silver coins were to be

of the denomination of one, two and five francs, and of twenty and fifty centimes. The silver coins were to be of full legal-tender to the amount of fifty francs between individuals of the State in which they were issued, but the nation issuing them was to receive them to any amount. It was agreed that the amount of silver coins of the one and two-franc pieces and the twenty and fifty-centime pieces should be limited to an amount not exceeding six francs to each inhabitant. Coins already in circulation were to be maintained in proportions fixed in the treaty.

This treaty of 1865 was to remain in force until January 1, 1880. If not repealed it was to continue in force for an additional fifteen years, and so on until repealed.

A supplementary treaty was entered into by the same nations in 1874, by which the coinage of five-franc pieces was limited for that year in each government to a given amount, and a similar limitation was made for 1875 and 1876; and in 1877 the coinage of five-franc pieces was suspended except as to Italy. In 1878 the same nations renewed their monetary treaty. The governments of Spain, Holland, Russia, and the Central and South American States, have established the same ratio between gold and silver—that of 1 to $15\frac{1}{2}$.

In Great Britain the ratio of limited coinage is that of 1 to 14.28, in Germany the ratio is that of 1 to 13.957. In Mexico the full legal-tender ratio of the coinage is that of 1 to $16\frac{1}{2}$. In the United States the ratio is that of 1 to 16. In Japan it is 1 to 16.16; in India it is 1 to 15.

The ratio between gold and silver adopted by the various nations differs so little that a uniform ratio could be established with but little inconvenience. Now that the ratio of the Latin Union has been adopted by so many of the leading nations of the earth, it is not unreasonable to insist that that ratio should be accepted by other nations.

An international agreement fixing this ratio, if adopted by the United States, England, Germany and Mexico, in addition to the nations which have already adopted it, would secure in a very short time a universal acquiescence in this ratio. In that event the United States could recoin all its silver pieces and make a profit by the operation. On every $15\frac{1}{2}$ ounces of silver in the new coins the government would receive a bonus of one-half ounce. Our dollar would then be equal to five francs of the Latin Union.

A limited agreement of this kind would greatly facilitate commercial transactions, and simplify and unify the coinage of all nations entering into the agreement. If a limited agreement of this kind could be made and put into practical operation, there is every reason to believe that more liberal provisions looking to a larger use of silver could be secured in the future. In the course of time free and unlimited coinage would, in all probability, be adopted by the leading commercial nations. Those who desire to accomplish free coinage must realize that complete success cannot be expected immediately. There is so much prejudice or misapprehension on the subject that international agreements establishing fixed ratios and uniform and unlimited coinage will be entered upon, if at all, with great hesitation. This fact, however, should not deter those who desire the utilization of both metals to the greatest extent possible from favoring every effort to bring about international monetary conferences. If complete success is not at first accomplished, partial success may be ; and partial success, to the extent of securing the provisions of the Latin Union for all great commercial nations, is attainable and may be secured at the first conference which may be held.

It is evident that, unless earnest effort is made, no agreement can be secured ; and, as an advocate of bimetallism, I favor every reasonable effort that can be put forth, which looks to the greater utilization of both metals. I favor especially an international monetary congress, to be held in the United States at the earliest time practicable ; and any and all conferences whose object it may be to secure the coöperation of the great commercial nations in this matter.

WILLIAM M. SPRINGER.

SENATOR HANSBROUGH :

WHEN the civilized nations of the world shall have been placed upon an equality with each other as to a monetary medium, the political patents now running upon the use of such expressions as "gold bugs" and "silver kings" will have expired, and bimetallism will prevail.

What is needed, in my opinion, is an established relationship between gold and silver—say 16 to 1 in all the gold-union nations, with the positive understanding that such relationship is not to be disturbed except by the unanimous consent of the interested

powers. An international monetary agreement is the only means by which this result can be reached.

For fifty years, at least, there has been a strong tendency towards what may be termed a universal currency. The effects of the operations of the old colonial and subsequent State-banking systems may be cited in confirmation of this proposition. In colonial times the paper-currency pound sterling in Virginia, Kentucky, Alabama, and Florida, was worth \$3.33, while New York currency was worth but \$2.50. In Pennsylvania, New Jersey, Delaware and Maryland the value of the paper pound was \$2.70, while in the current issues of the "realms" of Georgia and South Carolina it was worth \$4.20. The inequality in subsidiary currency was proportionately great. Then came the State-banking system, with its "wild-cat" issues, and the ludicrous attempts of a dozen State legislatures to deal with the currency question, each after its own original plan.

The commercial bonds are much closer between the civilized nations of the earth at the present time than they were between the States of the Union a hundred years ago, and therefore the argument in favor of an international money with a uniform ratio is much stronger. The superiority of national management of the finances over State management has long been recognized and admitted. The efficacy of international management must be apparent to all.

Statute laws in one country fixing the value of a money metal that circulates and has a different coinage value in another must result in financial and commercial confusion to both. The commercial disasters and business uncertainties so prevalent in the United States during the days of independent State-bank money issues may be taken as a fair example of what may be expected if the great nations of the earth continue to pursue independent policies with respect to the ratio and fineness of their respective metallic moneys or to the use of the product of their respective mines.

It was not so much the fear that silver would become dangerously cheap, owing to the increased production, the discovery of new mines and the improved methods of mining and smelting, that caused the European nations to begin the hoarding of gold by adopting the gold standard and closing their mints to the white metal, as it was their apprehension that the United States was about to adopt the silver standard on its own account. This fact

is fairly illustrated in recent trade statistics. For the nine months ending March 31, 1892, the balance of trade in merchandise was \$209,373,803 in our favor. Logically, \$209,373,803 in money should have come back to us from the purchasing nations, but as a matter of fact we received but \$13,253,765 in actual money. The difference of \$193,120,038 consisted chiefly of American securities which the foreigner preferred to part with rather than give up his gold, which he believes will go to a premium should the United States venture, alone, upon free coinage of silver. That he would also ship his silver to this country is proven by the fact that while the silver bullion act of 1890 (the present law) was under discussion and in process of enactment by the Fifty-first Congress our imports of silver were greater than our exports by \$8,000,000.

It is contended by the advocates of a free silver coinage law for the United States alone that "the people want more money," *i. e.*, a greater per capita circulation. There is some truth in this seductive and "catching" argument. If the per capita circulation of the world should be increased—and it will be increased when the gold-union nations adopt bimetallism, which they eventually must do—the people *would* have more money. On the other hand, should the United States, by act of Congress, obligate itself to pay \$1.29 per ounce for silver, which is now worth but 90 cents per ounce in the markets of the world, our per capita circulation, while it would be increased to a slight extent by reason of the free coinage of silver, would be decreased by the exact amount of gold that must inevitably take itself abroad to do service among the nations now operating upon the gold standard. In the face of the fact that during the past two and a half years we have exported \$320,000,000 of merchandise in excess of the amount imported and should therefore have received that amount of money from our foreign customers, we have also exported \$75,000,000 of gold in excess of our gold imports; in all \$395,000,000 in wealth sent abroad in the regular course of trade, for which there is no return—an amount equal to about \$6 per capita of our population, which is quite as much as would have been added to our money circulation had we purchased and coined, at \$1.29 per ounce, the entire world's output of silver for the same period. This per capita circulation question will admit of considerable investigation. It is one thing to make money and another to keep it.

Gold and silver have been the money mediums of the people for thousands of years; so will they ever remain. They cannot and should not be retired,—neither of them. International regulation is the true remedy. The present financial evils are not peculiar to any particular nation; they exist in all. There is sufficient gold and silver in the world to furnish the basis of a healthy international money circulation. The necessity for inflation does not exist.

It seems to be the settled policy of this country at this time, and of other countries as well, that there shall be an international conference to consider the money question, not from the narrow standpoint of sectional or community interests, but upon the broader plane of international benefit, which will be lasting in its effects. The object to be attained is to secure an agreement in favor of bimetallism in all the countries represented; no other conclusion can be reached. International free coinage of both gold and silver is the end in view; nothing less will be accepted as a final settlement of the question. A failure on the part of the Conference to recommend this as the common policy, or the failure of the conferring powers to recognize such recommendation by prompt and appropriate legislation, would simply relegate the whole question back to individual governments to be dealt with as a matter of local concern; and the result, especially in the United States, is easily foretold. Unlimited free coinage of silver, with such ratio or other regulations as the extremists might determine upon, would be authorized by law. One enthusiastic free-coinage advocate has said that the ratio should be 10 to 1; it has not been below 14.14 to 1 in two hundred years.

I have no doubt that the President will appoint as representatives of the United States in the forthcoming Conference gentlemen of distinguished ability and conservative judgment. There is no reason why the representatives of other nations taking part in the Conference should not be equally distinguished and conservative, and as all shades of opinion on financial questions are likely to be represented there is every probability that a satisfactory solution will be reached.

H. C. HANSBROUGH.

REPRESENTATIVE BLAND:

WHERE the double or bimetallic standard exists or is contemplated, the question of the ratio is of vital importance.

There is no disagreement upon the proposition that this ratio shall have reference to the relative commercial or exchange value of the two metals. The commercial or exchange value being controlled by the laws of different nations, the ratio established by the various governments where gold and silver are coined at a fixed ratio must be considered as the ultimate controlling factor in agreeing upon the ratio. Measures to the end of reaching this ratio enter at this time largely into the discussion. Informed readers need not be reminded of the fact that, for nearly one hundred years, the commercial or exchange value of gold and silver was at about the ratio of 1 of gold to $15\frac{1}{2}$ of silver, or that the ratio adopted by France in 1803 was one pound of gold to fifteen and one-half pounds of silver the world over. So long as France maintained an open mint for the free coinage and exchange of these two metals at the ratio of $15\frac{1}{2}$ to 1, this ratio was the absolute regulator of the exchange value of the two metals till in 1875, for reasons well known and to be hereinafter referred to, France suspended the free coinage of silver.

This country and Germany having previously, in 1873, suspended the coinage of silver, there were no longer any open mints of any great metallic power to take the place of France in the free exchange of gold and silver at a fixed ratio. England has been upon the single gold standard since 1816. A very brief historical review of our own currency laws and of those of the other nations named is essential to a fair and intelligent understanding of this matter.

One hundred years ago this country, by the act of April 2, 1792, adopted the double or bimetallic standard. Section 9 of this act provided for the dollar as follows: "Dollars or units each to be of the value of the Spanish milled dollar as the same is now current, and to contain $371\frac{4}{16}$ grains of pure or 416 grains of standard silver." This is the dollar we now coin, the pure silver of which has never been changed. The changing of the alloy accounts for our dollar of $412\frac{1}{2}$ grains of standard silver. This Spanish milled dollar had been current in the colonies, and was still our principal coin when the first mint act was passed.

On a test of these coins current it was found that they contained on the average about $371\frac{1}{4}$ grains of pure silver; hence this was fixed upon as the most equitable standard.

The silver dollar being established for the unit of value, the gold coins were to conform to the silver unit at the ratio of 15 to

1 as provided in Sec. 11 of the act as follows: "That the proportional value of gold to silver in all coins which, by law, shall be current as money in the United States, shall be as 15 to 1, according to quantity in weight of pure gold and pure silver. That is to say, every 15 pounds weight of pure silver shall be of equal value, in all payments, with one pound weight of pure gold, and so in proportion as to any greater or less quantities of the respective metals."

Eleven years later France decreed the bimetallic standard at the ratio of $15\frac{1}{2}$ to 1, thus giving to gold a value relative to silver greater than our ratio. France at that time being a greater nation commercially than ours, and her mints being contiguous to the nations of the old world, she was enabled to fix the value of the two metals at her ratio, and the facts of history show beyond dispute that the two metals remained practically at this ratio the world over so long as France continued the free coinage of both metals, or until 1875, when she discontinued the free coinage of silver, as before stated. During this period Germany had changed from the single gold standard to the silver standard, and again from the single silver standard to the gold standard. Alarmed at the demonetization of silver in this country and in Germany in 1873, France broke the bimetallic par by discontinuing the free coinage of silver. Had France continued the unlimited coinage of silver, there is no question or doubt that silver and gold the world over would be interchangeable to-day at the ratio of $15\frac{1}{2}$ to 1.

It is then clear that our government is primarily responsible for the present silver situation. We took the lead in the demonetization of the metal and must take the lead in its restoration. By the laws of 1834 and 1837 our ratio was changed from 15 to 1 to 15 98-100ths, or 16 to 1; it was really the amount of gold in the dollar that was changed and not the silver in the silver dollar, thus giving a higher value to gold at our mints than the French $15\frac{1}{2}$ to 1. It is said this was done for the purpose of attracting gold hither to aid in supplanting the national bank-note; gold being more convenient for payment in large transactions than silver, it would more readily take the place of bank-notes. Had our statesmen at that time hit upon our present device of gold and silver notes, bank paper could have been displaced by the silver certificates as is now being done by us. The fact, how-

ever, that we changed our ratio in 1834 and 1837, and the further fact that Germany changed from the gold to the silver standard in 1857, made no perceptible impression upon the effects of the French bimetallic law.

The two metals still retained their relative commercial value at about $15\frac{1}{2}$ to 1, thus conclusively proving that so long as one of the great metallic powers of the world kept open mints for the coinage of both metals at a ratio approximating the relative amount of the two metals per weight existing as money in the world, an open mint for the coinage and exchange of the two metals at such rates was all-powerful as a regulator of the relative value of these two money metals. In the light of this historical fact, why deny that the United States, the greatest nation in the world, the greatest metallic power in the world, may by her open mints successfully take the place of France in monetary history, and by open mints become the practical regulator of the relative value of these two money metals? In reality we are a republic consisting of forty-four sovereign States, with territory sufficient for four or five more independent States, with a population of sixty-five million people, and increasing at the rate of over one million annually, with the probability of reaching nearly one hundred millions of people before the boy now born can legally cast his first ballot.

We have a territory of three million square miles. The single State of Texas is larger in area than the whole of France. The intelligence of the people and the vast resources and productive power of the country have no parallel in history. All things considered, we are greater in resources and progressive development than France, England and Germany combined. Our pressing monetary needs demand a volume of money that cannot be compared to these over-developed countries of the old world.

Standing among the nations of the world as a giant among pygmies, why should we ask the aid or advice of baby England, baby Germany, or lilliputian France, in establishing for ourselves a bimetallic system based upon the ratio, or nearly upon the ratio, at which France successfully maintained the bimetallic par for over seventy years and up to the day of her hasty action of discontinuing free coinage of silver.

In adopting a ratio for ourselves, or by concurrent action of other nations, the ratio of $15\frac{1}{2}$, or our own ratio of 16, should be

selected. First, Because it is the ratio, or it approaches the ratio, that has existed in the commercial world for centuries, and at which the coined gold and coined silver of the nations circulate at par in the countries where coined. Secondly, This is about the average ratio at which the nations of the world coin gold and silver into legal-tender money. Thirdly, It is near the relative amount in weight of the existing coined stock of the two metals.

The director of the mint gives the amount of gold money in the world at \$3,711,845,000; of silver at \$3,939,578,000. Of this amount in silver he estimates \$544,166,000 to be subsidiary or limited tender. This estimate is made upon the nominal value of the silver coins at the ratio or coin-ing value of silver in the different countries where the stocks of silver money exist. Hence the average of full legal-tender for silver would be about $15\frac{1}{2}$ in weight of silver to 1 of gold. The limited-tender or fractional silver would be about 14 of silver to 1 of gold, so that it is apparent that the amount of silver money in the world is about $15\frac{1}{2}$ times as great for weight of metals as that of gold. If we take the product of gold from 1873 to 1891 as shown by the director of the mint last winter in hearings before our Coinage Committee of the House of Representatives, we find the product of gold in fine ounces to be about 98,606,925, and that of silver to be 1,512,174,000 in fine ounces. This shows a ratio of production per weight in fine ounces of about $15\frac{1}{2}$ of silver to 1 of gold. The facts above show that of the gold and silver money throughout the world the ratio per weight of metal is about $15\frac{1}{2}$ to 1. The product from 1873 to the present time is about $15\frac{1}{2}$ ounces of silver to 1 of gold—so that $15\frac{1}{2}$ seems to be near the natural ratio.

The fact that for the last four or five years the annual product of silver at this ratio has been greater than the product of gold does not militate against the argument. A series of years should be taken. The mines may in a short time show a greater product of gold than of silver. Even the occurrence of a disproportional product of one or the other of these metals for a series of years, as, for instance, of gold in excess of silver during the large output of California and Australia, fails to disturb the par of $15\frac{1}{2}$. The annual product constitutes too small a per cent. of the vast stock of the metals on hand to cause any perceptible fluctuations in values.

The equity of contracts the world over demands $15\frac{1}{2}$ or 16 as

the ratio, since the coined silver money of the world rests at about these rates, and debts of the world were and are contracted to be paid on this basis: it would be a robbery of debtors to demand more silver in the dollar. It would be unjust to debtors as well as to the welfare of future generations to limit the monetary functions of silver by increasing the amount of silver in the dollar.

To first demonetize silver for the purpose of precipitating a rise in gold as compared with silver, and to seize upon this flagrant wrong as an excuse for readjusting the ratio in the interest of the money-lenders of the present and the Shylocks of the future ought not to be tolerated.

The late Secretary Windom, on page 73 of his report for 1887, well remarks in this connection: "The paramount objection to this plan, however, is that it would have a decided tendency to prevent any rise in the value of silver. Seizing it at its present low price, the law would in effect declare that it must remain there forever, so far as its uses for coinage are concerned."

R. P. BLAND.

REPRESENTATIVE DALZELL:

IF THE leading monetary powers of the world shall enter into an agreement for the coining of both silver and gold without restriction, and for making them severally, or jointly, full legal-tender for the payment of all debts, the practical business question is, what shall be the ratio?

The question of the relations of the precious metals to each other and to commerce is recognized as a difficult one, about which it is wise not to hazard any too positive opinion.

The question as to an international ratio is very different from the question as to a ratio for the establishment of bimetallism in one country alone. In the determination of the latter question, the existing gold price of silver would be a material factor, while in the determination of the former it is not of so much importance.

Prior to 1873 the commercial ratio of silver to gold maintained a remarkable uniformity. Up to that year from the beginning of the Christian era the points of variance were at the one extreme 14.40 of silver to 1 of gold, and at the other 16.25 of silver to 1 of gold. From the time when France, in 1803, began the free coinage of gold and silver at a ratio of 15½ to 1,

until 1873, when silver was demonetized by Germany, and its coinage restricted by the Latin Union, the relative value of gold and silver in use in Europe did not vary appreciably from the ratio fixed by French law.

In the United States the legal ratio was fixed at first at 15 to 1, and subsequently at 16 to 1. But in 1873 a change ensued. Between that date and the present the relative commercial value of silver to gold has varied from 15.92 to 1 in the former year to 20.92 to 1 in 1891.

“The great underlying cause of the decline in the price of silver,” says Mr. Leech, Director of the Mint, “has been very accurately and concisely summed up in the report of the Royal Commission on Gold and Silver, 1888 :

“The action of the Latin Union in 1873 broke the link between silver and gold which had kept the former, as measured by the latter, constant at about the legal ratio; and when this link was broken, the silver market was open to the influences of all the factors which go to effect the price of a *commodity*. These factors happen, since 1873, to have operated in the direction of a fall in the gold price of that metal.”

It would appear, then, that the practical fixity of the relative value of gold and silver at a ratio of $15\frac{1}{2}$ to 1 from 1803 to 1873 was due principally to legislation, and that the separation of the metals thereafter in relative value was likewise due in largest part to legislation. The proposition that an international agreement shall be made to reestablish bimetallism is a practical concession to that effect, since its purpose is to restore, if possible, the “broken link.”

The link that bound gold and silver together as money was a law (or an agreement equivalent thereto) that the coinage of both should be free at a fixed ratio of $15\frac{1}{2}$ to 1. The action that broke that link, and destroyed that heretofore existing monetary equilibrium between the metals, was the repeal in practice of the operation of that law. Would not a re-enactment of the law in its entirety by international agreement restore the link and with it the old-time monetary situation? In other words, is not either the French or the American ratio—a ratio heretofore proven practicable of maintenance by experience—the true one to be returned to?

If it be assumed that the relative value of the two metals depends more than anything else on their value for the purposes of money as fixed by law it would seem that the strongest argu-

ment exists for the adoption of one or other of these ratios. All the world's experience has demonstrated that the true ratio lies somewhere in the neighborhood of the French or the American, and between them there is not any fundamental difference. If the choice be limited to these two the French ratio would seem to be preferable.

The demonetization of silver did not take from the world's circulation the silver coinage. Silver has been coined since and at the same ratio. It is estimated that there are, in round numbers, \$1,000,000,000 of European silver in use as money at the ratio of $15\frac{1}{2}$ to 1. The report of the Secretary of the Treasury shows our stock of silver to have been on Nov. 1, 1891, \$539,241,624, coined or to be coined at the ratio of 16 to 1.

Now, bimetallism is a desideratum because of the growing need of money in the world's constantly increasing commerce. Any change in the ratio towards cheapening the gold price of silver must result in contraction of the world's currency and defeat to that extent the object sought to be obtained by an international conference. The adoption of the ratio of 16 to 1, instead of $15\frac{1}{2}$ to 1 for instance, would make a difference of 3 per cent. in the aggregate of European silver ; that is to say, the European stock when recoinced, as it would have to be, would lose from its aggregate currency value \$33,000,000, and there would be the cost of recoinage in addition.

The adoption of the ratio of $15\frac{1}{2}$ to 1, on the other hand, would be, *ipso facto*, a remonetization of the entire European stock of silver. True, the adoption of this ratio would necessitate the recoinage of the American stock, but the margin between its legal ratio 16 to 1, and the French ratio $15\frac{1}{2}$ to 1, amounting to 3 per cent., would suffice to pay the cost of recoinage.

As the United States are the largest silver producers in the world, it goes without saying that the French ratio would suit their material interests better than the ratio now in use by themselves. The objections that could be urged to any particular ratio that may be suggested may be conceded to be numerous; in other words, bimetallism can only be established internationally in the face of opposition and by mutual concessions on the part of its friends; but it is to be hoped that such concessions may be made and that the cause may triumph at whatever figure the ratio may be fixed.

JOHN DALZELL.